

# **GLORIOUS CREATION LIMITED**

## **Consolidated Financial Statements**

(Expressed in Canadian dollars)

**For the years ended December 31, 2019 and 2018**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Glorious Creation Limited

### *Opinion*

We have audited the accompanying consolidated financial statements of Glorious Creation Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 of the consolidated financial statements, which indicates that as of December 31, 2019, the Company had a working capital deficiency of \$392,919 and a deficit of \$3,742,103. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 23, 2020

**Glorious Creation Limited**  
**Consolidated Statements of Financial Position**  
Expressed in Canadian dollars  
**As at December 31,**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	12,096	34,820
Amounts receivable (Note 6)	-	80,816
Inventory (Note 8)	-	15,895
Prepaid expenses (Note 7)	-	59,927
<b>Total current assets</b>	<b>12,096</b>	<b>191,458</b>
Investment in associate (Note 16)	-	15,029
Capital assets (Note 10)	-	112,405
<b>Total assets</b>	<b>12,096</b>	<b>318,892</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	62,865	187,491
Due to related parties (Note 12)	132,150	72,136
Due to associate (Note 16)	-	123,974
Loans (Note 9)	210,000	288,965
<b>Total current liabilities</b>	<b>405,015</b>	<b>672,566</b>
<b>Shareholders' deficiency</b>		
Share capital (Note 11)	2,831,023	2,831,023
Reserve (Note 11)	518,161	663,909
Accumulated other comprehensive loss	-	(21,660)
Deficit	(3,742,103)	(3,654,821)
<b>Deficiency attributable to shareholders</b>	<b>(392,919)</b>	<b>(181,549)</b>
Non-controlling interest (Note 15)	-	(172,125)
<b>Total shareholders' deficiency</b>	<b>(392,919)</b>	<b>(353,674)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>12,096</b>	<b>318,892</b>

Nature of operations (Note 1)

Basis of preparation and going concern (Note 2)

On behalf of the Board:

<i>"Ian Mallmann"</i>	Director
<i>"Norm Yurik"</i>	Director

# Glorious Creation Limited

## Consolidated Statements of Loss

Expressed in Canadian dollars

For the years ended December 31,

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Revenue</b>		
Sales of goods	4,125	50,936
Costs of goods sold	(13,837)	(154,621)
Service income	2,705	18,568
Service costs	(2,679)	(16,748)
Selling expenses	(33,074)	(132,911)
<b>Gross profit (loss)</b>	<b>(42,760)</b>	<b>(234,776)</b>
<b>General and administrative expenses</b>		
Amortization (Note 10)	32,882	81,950
Accounting and auditing	8,636	61,945
Consulting	-	17,738
Director fees	25,200	33,000
Legal	24,219	52,344
Loan interest (Note 9)	2,227	6,700
Management fees (Note 12)	84,000	198,437
Office and miscellaneous	21,848	123,645
Rent	4,717	99,683
Registration and filing	19,626	11,078
Salaries and benefits	42,917	202,400
Share-based compensation (Notes 11 and 12)	(145,748)	387,404
Transfer agent	7,068	7,431
Travel and related	544	41,728
Impairment of intangible assets	-	4,480
<b>Total general and administrative expenses</b>	<b>(128,136)</b>	<b>(1,329,963)</b>
Loss on sales of capital assets (Note 10)	(27,366)	(667)
Gain on disposal of subsidiaries (Note 5)	136,039	-
Write-off of GST receivable (Note 6)	(40,352)	-
Equity loss from associate (Note 16)	(11)	(252)
<b>Net loss for the year</b>	<b>(102,586)</b>	<b>(1,565,658)</b>
<b>Net loss attributable to</b>		
Shareholders of the Company	(87,282)	(1,485,300)
Non-controlling interest (Note 15)	(15,304)	(80,358)
<b>Weighted average number of common shares outstanding</b>	<b>39,035,700</b>	<b>39,035,700</b>
<b>Basic and diluted loss per common share</b>	<b>(0.00)</b>	<b>(0.04)</b>

# Glorious Creation Limited

## Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

For the years ended December 31,

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Net loss for the year</b>	(102,586)	(1,565,658)
<b>Other comprehensive income (loss)</b>		
Exchange difference on translating foreign operations	21,660	(12,435)
<b>Comprehensive loss</b>	(80,926)	(1,578,093)
<b>Comprehensive loss attributable to</b>		
Shareholders of the Company	(65,622)	(1,497,735)
Non-controlling interest	(15,304)	(80,358)

# Glorious Creation Limited

## Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Expressed in Canadian dollars

	Share Capital			Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	Number of common shares	Amount	Reserve				
		\$	\$				
<b>Balance, December 31, 2017</b>	<b>38,222,001</b>	<b>2,382,148</b>	<b>276,505</b>	<b>(9,225)</b>	<b>(2,169,521)</b>	<b>(91,767)</b>	<b>388,140</b>
Private placement	1,000,000	450,000	-	-	-	-	450,000
Share issuance costs	-	(1,125)	-	-	-	-	(1,125)
Share-based compensation	-	-	387,404	-	-	-	387,404
Loss for the year	-	-	-	-	(1,485,300)	(80,358)	(1,565,658)
Foreign currency translation difference	-	-	-	(12,435)	-	-	(12,435)
<b>Balance, December 31, 2018</b>	<b>39,222,001</b>	<b>2,831,023</b>	<b>663,909</b>	<b>(21,660)</b>	<b>(3,654,821)</b>	<b>(172,125)</b>	<b>(353,674)</b>
Share-based compensation	-	-	(145,748)	-	-	-	(145,748)
Loss for the year	-	-	-	-	(87,282)	(15,304)	(102,586)
Disposal of subsidiaries (Note 5)	-	-	-	21,660	-	187,429	209,089
<b>Balance, December 31, 2019</b>	<b>39,222,001</b>	<b>2,831,023</b>	<b>518,161</b>	<b>-</b>	<b>(3,742,103)</b>	<b>-</b>	<b>(392,919)</b>



# Glorious Creation Limited

## Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the years ended December 31,

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(102,586)	(1,565,658)
Non-cash items:		
Amortization	32,882	81,950
Equity loss from associate	11	252
Share-based compensation	(145,748)	387,404
Write-off of GST receivable	40,352	-
Impairment of intangible assets	-	4,480
Interest expense	2,227	6,700
Gain on disposal of subsidiaries	(136,039)	-
Loss on sale of capital assets	27,366	667
Changes in non-cash working capital items:		
Amounts receivable	(35,878)	(17,357)
Prepaid expenses	23,527	(3,592)
Accounts payable and accrued liabilities	(23,361)	96,193
Inventories	13,888	28,249
Due to/from related parties	60,014	50,907
<b>Total cash used in operating activities</b>	<b>(243,345)</b>	<b>(929,805)</b>
<b>Investing activities</b>		
Purchase of capital assets	-	(18,514)
Proceeds from sales of capital assets	6,815	171
Cash lost upon the disposal of subsidiaries	(5,896)	-
Cash paid to acquire KTT	-	(4,480)
<b>Total cash provided by (used in) investing activities</b>	<b>919</b>	<b>(22,823)</b>
<b>Financing activities</b>		
Proceeds from loan	232,767	286,661
Repayment of loan	(9,927)	(28,814)
Interest payment	-	(4,692)
Due to/from associate	-	4,971
Proceeds from share issuance, net of issue costs	-	448,875
<b>Total cash provided by financing activities</b>	<b>222,840</b>	<b>707,001</b>
<b>Change in cash</b>	<b>(19,586)</b>	<b>(245,626)</b>
Effect of exchange rate changes on balance of cash held in foreign currencies	(3,138)	10,884
<b>Cash, beginning of the year</b>	<b>34,820</b>	<b>269,562</b>
<b>Cash, end of the year</b>	<b>12,096</b>	<b>34,820</b>

Supplement disclosure with respect to cash flows (Note 18)

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 1. NATURE OF OPERATIONS

Glorious Creation Limited (the “Company”) was incorporated under the Canada Business Corporations Act on December 24, 2015 and was registered as an extra-provincial company in British Columbia on January 28, 2016.

On September 5, 2017, the Company completed its initial public offering (“IPO”) and trading of the Company’s common shares commenced on the Canadian Securities Exchange (“CSE”). Through its subsidiaries in Vietnam, Hong Kong and China, the Company provided necessary operating licenses and operational infrastructure to facilitate intra-ASEAN trade and trade between Vietnam and China.

On July 31, 2019, the Company disposed all of its subsidiaries in Vietnam, Hong Kong and China. Currently, the Company is evaluating new potential assets or business to acquire.

The Company’s head office and principal address is 405 - 1328 West Pender Street, Vancouver, BC, Canada and the registered and records office of the Company is located at Suite 1100 – 736 Granville Street, Vancouver, BC, Canada.

### 2. BASIS OF PREPARATION AND GOING CONCERN

#### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2020.

#### *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 2. BASIS OF PREPARATION AND GOING CONCERN (continued)

#### *Consolidation and deconsolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but is able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

On July 31, 2019, the Company disposed of Glorious HK together with all of its subsidiaries and ceased to consolidate the subsidiaries' financial statements.

Details of the Company's subsidiaries are as follows:

Name	Date of incorporation or acquisition	Location	Principal activities	Ownership	
				December 31, 2019	December 31, 2018
Glorious IT Creation Limited ("Glorious HK")	July 19, 2011	Hong Kong, China	Asian head office	-	100%
Shenzhen Qianhai Glorious Creation Co., Ltd. ("Glorious SZ")	January 3, 2017	Shenzhen, China	Virtual cross-border business platform	-	100%
Shenzhen Glorious Internet Co., Ltd. ("Glorious Internet")	October 23, 2017	Shenzhen, China	IT development	-	100%
Glorious (Vietnam) Company Limited ("Glorious Vietnam")	January 18, 2012	Ho Chi Minh City, Vietnam	Internet technology services	-	86%
Glorious (Vietnam) Trading Company Limited (formerly Khai Tam Tri Limited) ("KTT")	December 7, 2017	Ho Chi Minh City, Vietnam	Retail	-	86%
Glorious (Vietnam) Food and Beverage Company Limited ("F&B")	July 6, 2018	Ho Chi Minh City, Vietnam	Food and beverage import and export, wholesale and retail	-	86%
VnTrans Limited ("VnTrans")	September 29, 2014	Ho Chi Minh City, Vietnam	Transportation and logistic management	-	72%

#### *Functional and presentation currency*

The Company's presentation currency is the Canadian dollar ("C\$"). The functional currency of the Company is the Canadian dollar. The functional currency of Glorious HK is the Hong Kong Dollar ("HKD"), for Glorious SZ Chinese Yuan ("RMB"), and for its Vietnamese subsidiaries, the Vietnamese Dong ("VND"). These consolidated financial statements have been translated to the presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All exchange differences are reported as a separate component of other comprehensive income (loss).

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 2. BASIS OF PREPARATION AND GOING CONCERN (continued)

#### *Going concern*

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for the foreseeable future and meet its obligations and commitments in the normal course of business. The Company currently is looking for new assets or business to acquire. It has no business that can generate revenue. At December 31, 2019, the Company had cash of \$12,096 (2018 - \$34,820), a working capital deficiency of \$392,919 (2018 - \$481,108) and a deficit of \$3,742,103 (2018 - \$3,654,821).

In the past, operating and development capital requirements have been funded primarily from equity financing and the Company will need to arrange equity or other financing in the near future in order to continue in operation. While the Company has been successful in raising capital in the past, there can be no assurance that such financing will be available to the Company in the amount required or that it can be obtained on terms satisfactory to the Company. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

#### (i) Going concern evaluation

As discussed in note 2, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period.

#### (ii) Functional currencies

Management is required to assess the functional currency of each entity of the Company. In concluding on the functional currencies of the parent and its subsidiaries, management considered the currency that mainly influences the sale prices of goods and services and the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### (iii) Investment in associate

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgement to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. There would be different accounting results should these judgments change.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

#### (i) Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

#### (ii) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### (iii) Valuation and useful lives of capital assets

Changes in technology or the intended use of these assets as well as changes in economic or industry factors may create indicators of impairment or cause the estimated useful lives of these assets to change. Where impairment is indicated, the Company estimates the recoverable amount of the assets and charges the difference between the recoverable amount and the carrying amount, if any, to impairment expense. The estimates of the useful lives of property and equipment are reviewed on an annual basis. Depreciation or amortization is adjusted on a prospective basis, if and when required.

#### (iv) Revenue recognition

The Company has service agreements with regards to some of its sales which requires management to make judgements regarding the timing and allocation of revenue. Specifically, revenue recognized on these contracts is dependent on the estimated percentage of completion at a point in time. The estimated work remaining to complete a project is judgemental in nature and are estimated by experienced staff using their knowledge of the time necessary to complete the work.

#### (v) Share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES

#### *Foreign currency translation*

##### *Transactions and balances*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

##### *Foreign operations*

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at an average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the consolidated statement of loss.

#### *Non-controlling Interests*

Non-controlling interests consist of subsidiaries that are not wholly owned by the Company, and the portions not controlled by the Company are presented as non-controlling interests in the Company's consolidated financial statements. The Company attributes the profit or loss and components of other comprehensive income, if any, to the Company and to the non-controlling interests. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

#### *Investment in associate*

The Company accounts for its investment in associate using the equity method. Associates are entities in which the Company has significant influence, but not control, over the financial and operating policies. The Company considers quantitative factors in determining whether significant influence exists when holdings of voting power is less than 20%. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Investment in associate (continued)*

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

#### *Inventories*

Inventories, comprising of goods for sale, mainly included electronic devices and agricultural and industrial products. Inventory is stated at the lower of cost and net realizable value. Costs are determined on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### *Revenue recognition*

Revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a client and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

The Company has the following services from which it generates revenue:

The Company provides its customers hardware and software sales, installation and implementation services, staff training, and monthly access and maintenance services.

Revenue from the sale of hardware and software in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns. Revenue from the sale of hardware and software is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the control has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the provision of services is recognized when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred for the transaction and costs to complete the transaction can be measured reliably.

Monthly access and maintenance revenue is recognized over the term of the related agreement on a straight-line basis.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Revenue recognition (continued)*

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate unit of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

#### *Warranty costs*

Warranty costs that are not otherwise covered by suppliers are accrued upon the recognition of the related revenue, based on the Company's best estimate, with reference to past experience.

The accounting for warranties requires management to make assumptions and apply judgments when estimating product failure rates and expected costs. As of December 31, 2019 and 2018, no warranty liabilities are accrued.

#### *Capital assets*

##### *Recognition and Measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### *Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

##### *Major Maintenance and Repairs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.



# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Capital assets (continued)*

##### *Gains and Losses*

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

##### *Amortization*

Amortization is recognized in profit or loss and property and equipment are amortized using the straight-line method over their estimated useful lives:

Computer equipment	24 - 72 months
Computer software	12 - 36 months
Office furniture and fixtures	12 - 24 months
Leasehold improvements	23 - 60 months

##### *Impairment of Non-financial Assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Income taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *Share-based payment transactions*

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Loss per share*

Basic loss per share is calculated by dividing the loss for the year attributable to the ordinary shareholders by the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

#### *Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### *Financial instruments*

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

#### *Financial assets*

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
  - and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial instruments (continued)*

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash and receivables, which are classified as and measured at amortized cost.

#### *Financial liabilities*

The Company's liabilities include accounts payable and accrued liabilities, due to related parties, due to associate and loans which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

#### *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its investments in debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### *Adoption of accounting policies*

The Company adopted IFRS 16, Lease, starting January 1, 2019. The adoption of the standard had no significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

### 5. DISPOSAL OF SUBSIDIARIES

On July 31, 2019, the Company entered into an agreement with its former CEO to sell 100% of the shares of Glorious HK which includes all subsidiaries in Asia for consideration of \$200. This Transaction was approved at the annual general and special shareholders' meeting held on September 10, 2019. The sales of Glorious HK resulted in a gain of \$136,039.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 5. DISPOSAL OF SUBSIDIARIES (continued)

Details of the disposal are as follows:

	\$
<b>Carrying amounts of net liabilities over which control was lost:</b>	
<i>Current assets</i>	
Cash, inventory, other receivables and prepaids	120,844
<i>Non-current assets</i>	
Property, plant and equipment, investment in associates	<u>60,360</u>
Total assets	<u>181,204</u>
<i>Current liabilities</i>	
Accounts payable and accrued liabilities	(101,265)
Short-term loans	(293,025)
Due from associate	(118,844)
Due from Glorious Canada	(1,731,325)
Non-controlling interest	187,429
Accumulated other comprehensive loss	<u>55,508</u>
Total liabilities	<u>(2,001,522)</u>
<b>Consideration received:</b>	
Cash	<u>200</u>
<b>Gain on disposal of subsidiaries</b>	
Net liabilities derecognized	1,820,318
Cash consideration received	200
Impairment of loans to the subsidiaries	<u>(1,684,479)</u>
Gain on disposal of subsidiaries - net	<u>136,039</u>

### 6. AMOUNTS RECEIVABLE

The items comprising the Company's amounts receivable are summarized below:

	December 31, 2019	December 31, 2018
	\$	\$
VAT receivable	-	77,736
GST receivable	-	3,080
Total amounts receivable	-	80,816

During a GST audit completed by the Canada Revenue Agency ("CRA") in the year ended December 31, 2019, CRA ruled that the Company is not qualified to claim input tax credits on the basis that the Company does not have an active business in Canada. As a result, the Company wrote off \$40,352 of GST input tax credits that the Company had claimed since inception.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 7. PREPAID EXPENSES

The items comprising the Company's prepaid expenses are summarized below:

	December 31, 2019	December 31, 2018
	\$	\$
Rent deposit and prepaid rent	-	56,215
Other prepaids	-	3,712
Total prepaid expenses	-	59,927

### 8. INVENTORY

Inventory was comprised of the following:

	December 31, 2019	December 31, 2018
	\$	\$
Agricultural products and food	-	4,822
Electronic products	-	11,073
Total inventory	-	15,895

During the year ended December 31, 2018, the Company wrote off inventory of \$35,759 which was recorded in the cost of sales.

### 9. LOANS

The Company's significant debt financing transactions are as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Balance, beginning of the year	288,965	14,852
Advances	232,767	286,661
Repayments	(9,927)	(33,506)
Loan charges and interest	2,227	6,700
Foreign exchange	(11,008)	14,258
Deconsolidation of subsidiaries	(293,024)	-
Balance, end of the year	210,000	288,965

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 9. LOANS (continued)

#### Shareholders' loans

During the year ended December 31, 2018, Glorious HK received loans of HK\$1,070,000 from certain shareholders. The loan is non-secured, non-interest bearing and has no fixed term of repayment. As of December 31, 2018, the loan balance was HK\$1,070,000 (\$186,180).

During the period ended July 31, 2019, Glorious HK received loans of HK\$36,000 from certain shareholders. The loan is non-secured, non-interest bearing, and have no fixed term of repayment. As of July 31, 2019, the loan balance was HK\$1,106,000 (\$185,255).

The loans from shareholders were derecognized as of July 31, 2019 upon disposal of Glorious HK.

#### Loan from former CEO

During the year ended December 31, 2018, Glorious HK received HK\$190,000 from the former CEO. As of December 31, 2018, the loan balance was HK\$190,000 (\$33,060).

During the period ended July 31, 2019, Glorious HK received HK\$98,000 from the former CEO. As of July 31, 2019, the loan balance was HK\$288,000 (\$48,240).

The loan is non-secured, non interest-bearing and due on demand.

The loans from former CEO were derecognized as of July 31, 2019 upon disposal of Glorious HK.

#### Bank loans

Glorious HK entered into a loan agreement with HSBC on June 4, 2018. According to the loan agreement, Glorious HK received a loan of HK\$470,000 from HSBC for a period of 36 months. The loan bears interest of 3.96% per annum and is payable at a fixed amount of HK\$14,607 per month. As of July 31, 2019, the loan balance was HK\$355,398 (\$59,529) (December 31, 2018 - HK\$400,716 (\$69,725)).

The bank loans were derecognized as of July 31, 2019 upon disposal of Glorious HK.

#### Other loans

From April to December 2019, the Company received loans of \$210,000 from private lenders in Canada. The loans bear no interest and are due on demand. The Company provided all of its currently held and after-acquired assets as security for the loans.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 10. CAPITAL ASSETS

	Computer equipment	Office furniture and fixtures	Computer software	Leasehold improvement	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, December 31, 2017	96,411	2,050	3,464	116,470	218,395
Additions	2,633	2,321	722	12,838	18,514
Disposals	-	(1,005)	-	-	(1,005)
Balance, December 31, 2018	99,044	3,366	4,186	129,308	235,904
Additions	-	-	-	-	-
Disposals	(35,407)	(1,705)	-	(12,837)	(49,949)
Deconsolidation	(63,637)	(1,661)	(4,186)	(116,471)	(185,955)
Balance, December 31, 2019	-	-	-	-	-
<b>Accumulated amortization</b>					
Balance, December 31, 2017	24,112	1,683	3,464	12,457	41,716
Additions	18,554	976	361	62,059	81,950
Disposals	-	(167)	-	-	(167)
Balance, December 31, 2018	42,666	2,492	3,825	74,516	123,499
Additions	6,187	92	184	26,419	32,882
Disposals	(14,845)	(923)	-	-	(15,768)
Deconsolidation	(34,008)	(1,661)	(4,009)	(100,935)	(140,613)
Balance, December 31, 2019	-	-	-	-	-
<b>Carrying amounts</b>					
At December 31, 2018	56,378	874	361	54,792	112,405
At December 31, 2019	-	-	-	-	-

During the year ended December 31, 2019, the Company disposed of certain items of capital assets with net book value of \$34,181 for total proceeds of \$6,815, resulting in a loss on sale of capital assets totally \$27,366.



# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 11. SHAREHOLDERS' EQUITY

#### *Share capital*

Authorized:

Unlimited common shares without par value

As of December 31, 2019, the Company has 39,222,001 (2018 – 39,222,001) common shares outstanding, of which 4,234,123 (2018 – 8,468,246) common shares are held in escrow.

There were no share issuance during the year ended December 31, 2019.

During the year ended December 31, 2018, the Company closed a non-brokered private placement by issuing 1,000,000 units at a price of \$0.45 per unit for total proceeds of \$450,000. Each unit consists of one common share and one share purchase warrant. Each warrant can be exercised into one common share of the Company at the price of \$0.75 per share for a period of two years. In connection with the offering, the Company paid total finders fees of \$1,125.

#### *Stock options*

The Company has an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

There were no stock options granted during the year ended December 31, 2019 and 2018

During the year ended December 31, 2019, share-based compensation of \$172,268 (2018 - \$387,404) was incurred. During the year ended December 31, 2019, a reversal of \$318,016 (2018 - \$nil) was recognized in profit or loss related to the share-based compensation expense previously recognized on a tranche of unvested stock options that were forfeited in the current year.

Option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, at December 31, 2017 and 2018	3,320,000	\$ 0.31
Cancelled	<u>(2,320,000)</u>	<u>0.31</u>
Balance, at December 31, 2019	<u>1,000,000</u>	<u>\$ 0.31</u>
Exercisable, at December 31, 2019	<u>700,000</u>	<u>\$ 0.31</u>

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 11. SHAREHOLDERS' EQUITY (continued)

#### Stock options (continued)

As at December 31, 2019, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
900,000	\$ 0.30	September 5, 2022
100,000	\$ 0.36	October 5, 2022

#### Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, at December 31, 2017	209,480	\$ 0.30
Issued	<u>1,000,000</u>	<u>0.75</u>
Balance, at December 31, 2018	1,209,480	\$ 0.67
Expired	<u>(209,480)</u>	<u>0.30</u>
Balance, at December 31, 2019	<u>1,000,000</u>	<u>\$ 0.75</u>
Exercisable, at December 31, 2019	<u>1,000,000</u>	<u>\$ 0.75</u>

As at December 31, 2019, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,000,000	\$ 0.75	March 28, 2020*

\*Subsequent to December 31, 2019, these warrants expired unexercised.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 12. RELATED PARTY TRANSACTIONS

- a) During year ended December 31, 2019, the Company paid or accrued fees of \$Nil (2018 - \$96,437) to the former CEO of the Company. As of December 31, 2019, \$Nil (2018 - \$10,336) was owed to the former CEO.
- b) During the year ended December 31, 2019, the Company paid or accrued fees of \$84,000 (2018 - \$102,000) to a company controlled by the CFO of the Company. As of December 31, 2019, \$100,650 (2018 - \$55,500) was owed to the company controlled by the CFO.
- c) During the year ended December 31, 2019, the Company paid or accrued directors' fees of \$25,200 (2018 - \$33,000) to the directors. As of December 31, 2019, \$31,500 (2018 - \$6,300) was owed to the directors.
- d) The Company incurred \$77,697 (2018 - \$159,998) in share-based compensation related to stock options granted to related parties in the prior years.

#### Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than the transactions disclosed above, there was no other compensation paid to key management during the years ended December 31, 2019 and 2018.

### 13. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders' equity (deficiency). The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern, ensure sufficient capital and liquidity to complete its technology developments, establish commercial markets and pursue its growth strategy.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize the development efforts, the Company does not pay out dividends during its development stage.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

### 14. FAIR VALUE AND RISK MANAGEMENT

The Company has measured its accounts payable and accrued liabilities, due to related parties, due to associate and short-term loans at amortized cost. The Company measure its receivables at amortized cost. The carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments.

#### *Credit risk*

Credit risk arises from cash held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash is held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated statement of financial position.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 14. FAIR VALUE AND RISK MANAGEMENT (continued)

#### *Currency risk*

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. After the disposal of its subsidiaries on July 31, 2019, the Company currently has no significant assets or liabilities and has no revenue or expenses denominated in a foreign currency; accordingly it is not exposed to foreign currency risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2019, the Company had a cash balance of \$12,096 to settle current liabilities of \$405,015. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs further funding to meet its short-term and long-term cash requirements.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

### 15. NON-CONTROLLING INTEREST

As of July 31, 2019, the Company disposed of Glorious HK together with all of its subsidiaries and ceased to consolidate the subsidiaries' financial statements.

Before July 31, 2019, non-controlling interest includes a 14% interest in Glorious Vietnam and its subsidiaries, KTT and F&B, and a 28% interest in VnTrans.

A percentage of income/loss on each component of other comprehensive income is attributed to the owners of the non-controlling interests.

	December 31, 2019	December 31, 2018
	\$	\$
Non-controlling interest, beginning of year	(172,125)	(91,767)
Share of loss – Glorious Vietnam and its subsidiaries	(15,178)	(78,131)
Share of loss – VnTrans	(126)	(2,227)
Deconsolidation	187,429	-
Non-controlling interest, end of year	-	(172,125)

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 15. NON-CONTROLLING INTEREST (cont'd...)

The table below disclose selected financial information of Glorious Vietnam and its subsidiaries, KTT and F&B on a 100% basis:

	December 31, 2019	December 31, 2018
	\$	\$
Non-controlling percentage	-	14%
Total assets	-	232,286
Total liabilities	-	(1,445,707)
Net assets (liabilities)	-	(1,213,421)
	For the period from January 1, 2019 to July 31, 2019	For the year ended December 31, 2018
	\$	\$
<b>Summarized statement of loss</b>		
Loss and comprehensive loss	(108,414)	(558,079)
Loss allocated to non-controlling interest	(15,178)	(78,131)
<b>Summarized cash flow</b>		
Cash used in operating activities	(14,971)	(467,832)
Cash used in investing activities	3,497	(5,441)
Cash from financing activities	16,271	455,599

The table below disclose selected financial information of VnTrans on a 100% basis:

	December 31, 2019	December 31, 2018
	\$	\$
Non-controlling percentage	-	28%
Total assets	-	15,166
Total liabilities	-	(56,120)
Net assets (liabilities)	-	(40,954)
	For the period from January 1, 2019 to July 31, 2019	For the year ended December 31, 2018
	\$	\$
<b>Summarized statement of loss</b>		
Loss and comprehensive loss	(451)	(7,954)
Loss allocated to non-controlling interest	(126)	(2,227)
<b>Summarized cash flow</b>		
Cash used in operating activities	(881)	(2,168)
Cash used in investing activities	-	-
Cash from financing activities	872	1,394

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 16. INVESTMENT IN ASSOCIATE

The Company accounted for its investment in Transinall Limited. (“Transinall”) using the equity method of accounting.

As of July 31, 2019, the Company disposed of Glorious HK together with all of its subsidiaries and ceased to consolidate the subsidiaries’ financial statements.

Before July 31, 2019, the Company held a 16.1% interest in Transinall.

Investment in associate is as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Balance, beginning of the year	15,029	15,281
Equity loss for the year	(11)	(252)
Deconsolidation upon sale of subsidiaries	(15,018)	-
Balance, end of the year	-	15,029

As of the disposal date on July 31, 2019, Transinall advanced cash of \$118,844 (2018 - \$123,974) to Glorious HK and its subsidiary VnTrans. The advances born no interest, were unsecured and had no fixed terms of repayment. The loans from Transinall were deconsolidated upon the disposal of the subsidiaries.

### 17. SEGMENTED INFORMATION

Before the disposal date of July 31, 2019, the Company had two reportable segments: the international trade agency and consulting business and the virtual cross-border business platform.

#### *International trade agency and consulting*

The Company provided IT consulting, internet marketing and sales support, logistics and administrative services, and access to various government licenses essential for doing business in Vietnam. This segment was operated by Glorious HK and its Vietnamese subsidiaries Glorious Vietnam and VnTrans.

#### *Virtual cross border (“VCB”) business platform*

The Company launched an e-commerce platform that provided all the IT services and logistics management for the execution of commerce across national borders and multiple currencies. The VCB business platform also provided a business to business (“B2B”) online marketplace for linking small and medium size enterprises (“SMEs”) in southern China and southern Vietnam. This segment was operated by Glorious HK and its Chinese subsidiary Glorious SZ.

Accounting policies relating to each segment were identical to those used for the purposes of the consolidated financial statements. Inter-segment sales were made in the normal course of business and had been recorded at the exchange amount, which approximate prevailing prices in the markets serviced.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 17. SEGMENTED INFORMATION (continued)

The table below provides information regarding the Company's identified segments for the years ended December 31, 2019 and 2018

<b>Year ended December 31, 2019</b>	<b>International trade agency and consulting</b>	<b>VCB business platform</b>	<b>Not allocated to segments (after disposal of subsidiaries)</b>	<b>Totals</b>
Revenue	\$ 5,913	\$ 917	\$ -	\$ 6,830
Operating loss (income)	\$ 93,560	\$ 55,122	\$ (46,096)	\$ 102,586
Capital assets	\$ -	\$ -	\$ -	\$ -

<b>Year ended December 31, 2018</b>	<b>International trade agency and consulting</b>	<b>VCB business platform</b>	<b>Totals</b>
Revenue	\$ 31,043	\$ 38,461	\$ 69,504
Operating loss	\$ 1,234,775	\$ 330,883	\$ 1,565,658
Capital assets	\$ 84,525	\$ 27,880	\$ 112,405

The table below provides geographic information of the Company for the years ended December 31, 2019 and 2018:

<b>Year ended December 31, 2019</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 5,913	\$ 917	\$ 6,830
Operating loss (income)	\$ (46,096)	\$ 8,158	\$ 93,560	\$ 46,964	\$ 102,586
Capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

<b>Year ended December 31, 2018</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 31,043	\$ 38,461	\$ 69,504
Operating loss	\$ 677,080	\$ 170,865	\$ 566,033	\$ 151,680	\$ 1,565,658
Capital assets	\$ -	\$ -	\$ 84,525	\$ 27,880	\$ 112,405

### 18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Other than transactions disclosed elsewhere, there were no significant non-cash investing and financing transactions during the years ended December 31, 2019 and 2018.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

### 19. INCOME TAXES

A reconciliation of income taxes at statutory rates (2019 – 27%; 2018 – 27%) with the reported taxes is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Loss for the year	\$ (102,586)	\$ (1,565,658)
Expected income tax recovery	(28,000)	(362,000)
Change in statutory, foreign tax, foreign exchange rates and other	488,000	(6,000)
Permanent difference	(384,000)	-
Change in unrecognized deductible temporary differences	(76,000)	368,000
<b>Total income tax expenses (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's net unrecognized deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
<b>Deferred tax assets</b>		
Share issue costs	\$ 14,000	\$ 21,000
Allowable capital losses	308,000	-
Non-capital losses available for future periods	330,000	707,000
Unrecognized deferred tax assets	(652,000)	(728,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences and unused tax losses are as follows:

	December 31, 2019	Expiry date range	December 31, 2018	Expiry date range
<b>Temporary Differences</b>				
Share issue costs	\$ 52,000	2040 to 2022	\$ 78,000	2039 to 2042
Allowable capital losses	\$ 1,142,000	No expiry date	\$ -	Not applicable
Non-capital losses available for future periods	\$ 1,223,000	2036 to 2039	\$ 3,295,000	2019 to no expiry date
Canada	\$ 1,223,000	2036 to 2039	\$ 976,000	2036 to 2038
China	\$ -	N/A	\$ 203,000	2022 to 2023
Hong Kong	\$ -	N/A	\$ 903,000	No expiry date
Vietnam	\$ -	N/A	\$ 1,213,000	2019 to 2023

Tax attributes are subject to review, and potential adjustment, by tax authorities.



# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2019 and 2018

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### 19. INCOME TAXES (continued)

As Hong Kong based corporations, Glorious IT Creation Limited and Transinall are subject to a 16.5% corporate income tax rate.

As Vietnamese based corporations, Glorious Vietnam and VnTrans are subject to a 22% corporate income tax rate.

As Chinese based corporations, Glorious Shenzhen is subject to a 25% corporate income tax rate.